



HB97 – Cap HAC/FAS Compensation
2013 Legislative Session
House State Administration Committee
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House Bill No. 97 – Cap earnings included in compensation used to determine a retirement benefit in PERS, Judges, Highway Patrol, Sheriffs', Game Wardens, Police, & Firefighters

- ❖ The purpose of HB 97 is to minimize the impact “pay spiking” has on the retirement plans.
- ❖ This salary cap is only looking at the three or five years compensation used in the calculation of a members retirement benefit. Generally that is the last three or five years of a members career. It limits the compensation each year to no more than a 15% increase from the previous year. It also takes any excess earnings and applies it evenly over a member's whole career.
- ❖ Example of Calculation
- ❖ The actuary currently does not make any assumptions regarding “pay spiking”. To the extent this bill affects future retirees than the financial effect will be recognized in the valuation in the annual determination of actuarial gain and losses.
- ❖ As the Audit stated, “The results of our analysis do indicate that for a minority of retirees, compensation in the final years of employment deviated enough from a normal trend to affect the calculation of their retirement benefit. Although we do not believe these circumstances are widespread in Montana's retirement systems, they can and do occur.
- ❖ In summary this bill addresses a small loophole in the system that has occurred over time.
- ❖ The Public Employee Retirement Board respectfully requests a “Do Pass” on HB 95. I am available for questions.